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Chicago Transit Authority

1973 annual report

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Chicago Transit Authority
twenty-ninth annual report
for the fiscal year ended December 29, 1973

Chicago Transit Board

MILTON PIKARSKY, Chairman (M)	Term Expires August 31, 1980
JAMES R. QUINN, Vice Chairman (M)	Term Expires August 31, 1971**
ERNIE BANKS (G)	Term Expires August 31, 1976
WALLACE D. JOHNSON (G)	Term Expires August 31, 1975
CLAIR M. RODDEWIG (M)	Term Expires August 31, 1972**
LAWRENCE G. SUCSY (G)	Term Expires August 31, 1977
DONALD J. WALSH (M)	Term Expires August 31, 1974

M—Appointed by the Mayor of the City of Chicago.
G—Appointed by the Governor of the State of Illinois.

**—Continues to serve until a successor has been appointed and has qualified.

ten year financial & statistical summary

All figures in millions except where noted	1973	1972[a]	1971	1970	1969	1968	1967	1966[a]	1965	1964
Passenger revenues	$172.4	$178.5	$181.2	$174.9	$171.9	$145.7	$140.7	$140.4	$134.4	$131.1
Student fare differential--State of Illinois	6.8	6.1	6.1	6.0	4.6	3.6	3.7	3.6	1.3	-
Senior citizen fare differential--State of Illinois	4.0	-	-	-	-	-	-	-	-	-
Other revenues	3.3	2.5	3.7	3.8	3.4	3.6	3.5	3.4	3.1	3.0
Total revenue	186.5	187.1	191.0	184.7	179.9	152.9	147.9	147.4	138.8	134.1
Total labor (including fringe benefits)	184.3	180.9	161.3	147.3	132.0	117.2	109.2	102.7	95.1	90.8
Materials and supplies	7.8	9.8	9.6	8.7	8.0	7.5	7.6	7.0	6.4	5.6
Provision for injuries and damages	9.8	9.3	9.5	9.2	8.2	5.5	5.9	6.5	7.5	8.6
Power and fuel	8.9	7.6	7.3	6.8	6.4	6.3	6.5	6.6	6.4	6.2
Other operating and maintenance expenses	10.0	8.3	8.5	7.1	6.4	3.9	5.4	5.4	5.0	4.7
Total operation and maintenance expenses	220.8	215.9	196.2	179.1	161.0	140.4	134.6	128.2	120.4	115.9
Revenue available (deficit) before debt service	(34.3)	(28.8)	(5.2)	5.6	18.9	12.5	13.3	19.2	18.4	18.2
Debt service requirements:										
Revenue bonds	8.2	8.3	8.0	7.9	8.0	8.0	8.1	8.2	8.0	8.1
Equipment trust certificates	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	2.1
Revenue available (deficit) before depreciation	(44.2)	(38.8)	(14.9)	(4.0)	9.2	2.8	3.5	9.3	8.7	8.0
Grants from State of Illinois, City of Chicago, and County of Cook for operating costs and equipment trust debt service	36.9	6.0	3.5	-	-	-	-	-	-	-
Grant from State of Illinois for debt service	-	10.0	9.0	-	-	-	-	-	-	-
Net revenue available (deficit) before depreciation	(7.3)	(22.8)	(2.4)	(4.0)	9.2	2.8	3.5	9.3	8.7	8.0
Depreciation requirement (current period)	14.9	15.0	15.3	14.8	14.4	12.2	11.8	11.8	11.1	10.7
Balance available (deficiency)	$(22.2)	$(37.8)	$(17.7)	$(18.8)	$ (5.2)	$ (9.4)	$ (8.3)	$ (2.5)	$ (2.4)	$ (2.7)
Capital investment:										
Funds provided by CTA	$ 0.2	$ 1.1	$ 1.3	$ 3.6	$ 7.0	$ 5.9	$ 7.6	$ 14.3	$ 14.1	$ 22.9
Funds provided by federal, city, etc.	35.7	29.3	4.7	19.1	48.4	46.4	1.4	-	-	-
Total capital investment	35.9	30.4	6.0	22.7	55.4	52.3	9.0	14.3	14.1	22.9
Sale of real estate--proceeds	0.9	1.3	3.0	0.1	0.2	-	0.8	-	0.9	0.2
Outstanding revenue bonds--less reserves	32.8	34.8	41.3	47.4	54.3	60.4	65.9	71.1	76.1	80.8
Outstanding equipment trust certificates--less reserves	4.8	6.1	7.5	8.9	10.2	11.5	12.8	14.0	15.2	16.3
Total bonds and certificates outstanding	$ 37.6	$ 40.9	$ 48.8	$ 56.3	$ 64.5	$ 71.9	$ 78.7	$ 85.1	$ 91.3	$ 97.1
Revenue passengers:										
Originating--surface system	272.8	277.1	282.6	296.2	317.0	347.0	389.8	405.7	389.1	381.7
Originating--rapid transit system	95.2	100.5	103.5	105.6	103.1	110.8	120.7	117.6	114.8	112.1
Total originating passengers	368.0	377.6	386.1	401.8	420.1	457.8	510.5	523.3	503.9	493.8
Transfer passengers	227.6	228.4	226.0	226.9	231.1	235.1	257.1	261.1	252.1	245.2
Total	595.6	606.0	612.1	628.7	651.2	692.9	767.6	784.4	756.0	739.0
Automobile registrations--Cook County	2.3	2.2	2.1	2.1	2.0	2.0	1.9	1.8	1.7	1.6
Revenue vehicle miles:										
Surface system	90.7	95.1	95.2	98.3	102.2	103.8	107.1	112.3	111.1	108.6
Rapid transit system	48.7	50.8	51.1	51.5	45.6	44.8	45.3	45.5	44.3	44.1
Total	139.4	145.9	146.3	149.8	147.8	148.6	152.4	157.8	155.4	152.7
Active passenger equipment (thousands):										
Surface buses	2.9	2.8	2.9	3.0	3.1	3.2	3.2	3.2	3.1	3.2
Rapid transit cars	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Total	4.1	4.0	4.1	4.2	4.3	4.4	4.4	4.4	4.3	4.4
Rates of fare at year end										
Full fare[b]	45¢	45¢	45¢	45¢[c]	40¢	40¢[c]	30¢[c]	25¢	25¢	25¢
Children, students and senior citizens	20¢	20¢	20¢	20¢	20¢	20¢[c]	12¢	12¢	12¢	12¢
Transfer charge	10¢	10¢	10¢	10¢[c]	5¢	5¢	5¢	5¢	5¢	5¢
Total incidents which may result in suits or claims (thousands)	16.0	13.6	17.2	19.5	22.3	22.7	23.6	22.7	21.5	21.4
Number of employees, at year end (thousands)	12.1	12.6	12.8	12.9	12.5	12.2	12.4	12.2	12.4	12.6
Bus operators hour wage rate at year end (including cost of living)	$6.20	$5.535	$5.27	$4.78	$4.33	$4.00	$3.41	$3.29	$3.18	$3.02

(a) Fiscal Years 1966 and 1972 were 53-week years. All others were 52-week fiscal years.
(b) Senior Citizen reduction effective limited hours (April 20, 1969) - 24 hours basis (November 5, 1972).
(c) Fare changes effective July 8, 1970, December 19, 1968, November 5, 1967.

CTA serves the entire City of Chicago, providing transit service to within 3/8 mile of 99% of the city's population. CTA also provides service through 18 suburbs, to or along the border of 14 more suburbs, and within 3/8 mile of an additional four suburbs--a total of 36 suburbs.

At year end the miles of revenue bus routes totaled 1,985 and miles of revenue rapid transit track were 191.60.

riding trends

A decrease in riding occurred for the year 1973, affecting originating passengers on both the surface and rapid transit systems. Passengers purchasing transfers on the surface system increased approximately 700,000 and on the rapid transit system, decreased approximately 1,500,000. Total revenue passengers including originating and transfer fares were 595,543,461 for 1973 and 606,063,487 for 1972, a decrease of 10,520,026 (1.7%).

Ridership losses were experienced within the two classifications of originating passengers, with the greatest decrease affecting the rapid transit system where the passengers were 95,160,535 in 1973 compared with 100,468,879 in 1972, a decrease of 5,308,344 (5.3%). Originating surface system passengers were 272,414,322 in 1973 compared with 277,152,145 in 1972, a decrease of 4,737,825 (1.7%).

The number of passengers purchasing transfers, entitling them to one or more additional rides over connecting CTA bus or rapid transit routes was 227,579,844 in 1973 compared with 228,442,910 in 1972, a decrease of 863,066 (.4%).

Commencing September 9, 1973, CTA began operations in Evanston, Illinois, under an agreement whereby the City of Evanston would pay for operating losses incurred in the operations. The fare for local riding in Evanston either on the surface or rapid transit routes was set at 25¢ with no charge for a transfer. Passengers carried for the four-month period ended December 29, 1973, were 388,760 on the surface and 143,143 on the rapid transit. In November 1973 a revised routing system on the surface was implemented with a much greater ridership than the original routes. Passengers for the one-month period were 170,548 compared with 218,212 for the previous periods.

vehicle miles

Combined vehicle miles operated in 1973 totaled 139,428,600, a decrease of 6,501,597 (4.5%) under 1972. Surface system miles operated were 90,701,804, a decrease of 4,451,821 (4.7%) under 1972. Rapid transit system car miles were 48,726,796, a decrease of 2,049,776 (4.0%) under 1972.

On each weekday during 1973 an average of 2,227 buses operated 272,126 miles and an average of 916 rapid transit cars operated 162,254 miles. Average scheduled speed of buses in 1973 was 12.11 mph as compared with 12.12 mph in 1972, while the rapid transit average scheduled speed in 1973 was 27.53 mph as compared to 24.86 mph in 1972.

public safety

In 1973, CTA employees attained the safest year in CTA's 26-year history. Compared with 1972, the previous safest year, there were 492 fewer traffic and passenger accidents, a decrease of 5.2%.

The traffic and passenger accident frequency

safety

	1973	1972	1954	1972 Decrease From 1972	1972 Decrease From 1954
Traffic accidents	6,197	6,314	16,300	(1.85%)	(61.98%)
Passenger accidents	2,835	3,210	9,678	(11.68%)	(70.71%)
Total accidents	9,032	9,524	25,978	(5.17%)	(65.23%)
Schedule miles on routes (in thousands)	137,803	141,348	164,222	(2.51%)	(16.09%)
Frequency rate--Accidents per 100,000 miles--					
Traffic accidents	4.50	4.47	9.93	0.67%	(54.68%)
Passenger accidents	2.06	2.27	5.89	(9.25%)	(65.03%)
Total accidents (rounded)	6.6	6.7	15.8	(1.49%)	(58.23%)

rate of 6.6 accidents per 100,000 miles operated was also the lowest in CTA history, a reduction of 1.5% compared with the 1972 rate of 6.7.

In the early years of CTA, 1947 through 1954, the accident rate fluctuated between a high of 20.9 in 1947 to a low of 15.8 in 1954. In 1954, the Authority embarked on intensive safety-training activities and, from that year to the present, there has been a downward trend in accident rates. A comparison of the 1954 rate and the 1973 rate shows a reduction of 58%; a comparison of 1947 with 1973, a dramatic 68% reduction.

Considering the surface system and the rapid transit system separately, each system also set its own safest year in 1973. The surface system had 467 fewer traffic and passenger accidents than in 1972, its previous safest year, a 5% reduction. The rate, too, was reduced: 9.7 in 1972 and 9.4 in 1973, a 2.5% reduction.

The rapid transit system rate of 1.24 was 2.4% lower than its previous lowest rate of 1.27 set in 1972. In number of traffic and passenger accidents, there was a decrease of 25 accidents.

The Authority's traffic and passenger accident figures include all accidents no matter how minor.

financial results

For comparison of statistical data throughout this report, the fiscal year 1973 consists of 52 weeks in contrast to 53 weeks in fiscal year 1972.

Operating revenues in 1973 decreased $598,487 (0.3%) under 1972. Increased costs of Social Security Taxes, employees insurance, motor fuel and miscellaneous services account for the greater portion of the $4,905,599 (2.3%) increase in operating expenses.

Operating revenues failed to cover operating expenses by $34,331,701 for 1973 before applying grants. Also, operating revenues were short $8,196,998 to make deposits to the debt service funds in order to comply with the requirements of the Trust Agreement securing the Authority's

financial highlights

	1973	1972	Increase (Decrease)
Operating revenue	$186,477,427	$187,075,914	$ (598,487)
Operating expenses	220,809,128	215,903,529	4,905,599
Revenue available (deficiency) before grant and debt service	(34,331,701)	(28,827,615)	(5,504,086)
Grant from City of Chicago, County of Cook and State of Illinois applied to operating deficiency*	34,331,701	6,000,000	28,331,701
Net revenue available (deficiency) before debt service	-	(22,827,615)	22,827,615
Debt service requirements	8,196,998	8,310,267	(113,269)
Deficiency before grant and depreciation	(8,196,998)	(31,137,882)	22,940,884
Grant from State of Illinois applied to revenue bond debt service requirements*	-	8,310,267	(8,310,267)
Deficiency before depreciation	(8,196,998)	(22,827,615)	14,630,617
Depreciation requirement--current period	14,916,873	14,966,714	(49,841)
Net Deficiency in Revenue	$(23,113,871)	$(37,794,329)	$14,680,458

*Total grants applied were $36,900,000 in 1973 and $17,140,888 in 1972. Application of grants is shown as follows:

	Year Ended Dec. 31, 1973	Year Ended Dec. 31, 1972	Two Year Total
Operating expense deficiency (excluding depreciation and debt service)	$ 34,844,973	$ 6,000,000	$40,844,973
Revenue bonds--Series 1947, 1952, and 1953	-	8,201,913	8,201,913
Equipment trust certificates	1,293,197	1,698,025	2,991,222
Expenditures for injuries and damages in excess of provision	761,830	-	761,830
Other contractual obligations	-	1,240,950	1,240,950
	$ 36,900,000	$ 17,140,888	$54,040,888

NOTE: In 1971 the Illinois General Assembly enacted the Emergency Public Transportation Assistance Act and the Transportation Bond Act. The Emergency Public Transportation Assistance Act provided grants to the Authority for payment of principal and interest on bonds, certificates, equipment trust certificates or other evidence of indebtedness upon receipt of funds equal to 50% of such grant from the City of Chicago, County of Cook, or any other unit of local government, or combination thereof served by the Authority. The emergency state grants were financed from the proceeds of bonds sold under the Transportation Bond Act.

revenue bonds. Revenues also failed to meet the depreciation provision requirement, resulting in a total revenue deficiency of $57,445,572 for the year before applying grants.

During 1973 the Authority received an Emergency Transportation Operating Grant of $12,600,000 from the State of Illinois. Also during the year, the City of Chicago and County of Cook contributed grants totaling $24,300,000, of which $6,300,000 represented matching grants as required by the legislation providing for the state grant. In addition, the grant provided funds for equipment trust certificate debt service requirements.

Increases in reimbursements from the State of Illinois for students and senior citizen fare differentials offset somewhat the declining riding habits of the general public. Surface system riding showed the smallest recorded decline since 1966. Rapid transit ridership declined to a greater degree. Senior citizens were granted additional riding privileges late in 1972, allowing unlimited use of the reduced fare card at all hours and on all seven days a week. Charter service revenues increased because of increased rates. Further, charter service revenues in 1972 had been abnormally low. Other revenues, which include interest earnings on investments, increased due to the increased cash available for investment.

The comparison of operating expenses below

sources of revenue

	1973	1972	Increase (Decrease) Amount	Increase (Decrease) Per Cent
Passenger revenues--				
Originating surface system	$126,386,032	$129,509,408	$(3,123,376)	(2.4)
Originating rapid transit system	45,222,358	48,359,197	(3,136,839)	(6.5)
Fare differential--State of Illinois reimbursement--				
Students	6,785,572	6,155,294	630,278	10.2
Senior citizens	3,989,041	-	3,989,041	-
Evanston fare differential	92,308	-	92,308	-
	182,475,311	184,023,899	(1,548,588)	(0.8)
Charter service	670,098	589,747	80,351	13.6
	183,145,409	184,613,646	(1,468,237)	(0.8)
Other revenues--				
Station and car privileges	967,712	1,014,722	(47,010)	(4.6)
Rent of buildings and other property	425,436	441,515	(16,079)	(3.6)
Miscellaneous	1,938,870	1,006,031	932,839	92.7
	3,332,018	2,462,268	869,750	35.3
Total operating revenue	$186,477,427	$187,075,914	$ (598,487)	(0.3)

operating expenses

	1973	1972	Increase (Decrease) Amount	Increase (Decrease) Per Cent
Wages and salaries	$147,504,693	$147,210,858	$ 293,835	0.2
Pension contributions	19,689,690	19,421,701	267,989	1.4
Federal insurance contributions	7,757,572	6,282,619	1,474,953	23.5
Employees' insurance	9,316,500	8,005,749	1,310,751	16.4
Total labor costs	184,268,455	180,920,927	3,347,528	1.9
Electric power purchased	4,123,433	4,544,668	(421,235)	(9.3)
Motor bus fuel consumed	4,802,194	3,091,121	1,711,073	55.4
Operating material and supplies	7,765,882	9,755,328	(1,989,446)	(20.4)
Provision for injuries and damages	9,817,266	9,354,197	463,069	4.9
Misc. services, supplies, etc.	10,031,898	8,237,288	1,794,610	21.8
Total operating expenses	$220,809,128	$215,903,529	$ 4,905,599	2.3

claims

	1973	1972	Increase (Decrease)
Claim settlements			
Number	7,892	10,021	(2,129)
Settlement costs	$ 1,313,285	$1,748,916	$ (435,631)
Expenses	1,644,619	1,560,007	84,612
Total cost of claims	$ 2,957,904	$3,308,923	$ (351,019)
Suit settlements			
Number	2,104	2,268	(164)
Settlement costs	$ 6,313,003	$4,946,893	$1,366,110
Expenses	1,671,884	1,682,320	(10,436)
Total cost of suits	$ 7,984,887	$6,629,213	$1,355,674
Total costs	$10,942,791	$9,938,136	$1,004,655

indicates a 2.3% increase for 1973, primarily because of increases in contributions to Social Security Taxes, employees insurance, motor fuel and miscellaneous services. These increases were offset somewhat by reduced labor costs due to service curtailments that occurred during the year.

Operating labor hours for the fiscal year 1973 totaled 25,030,067 compared with 24,231,476 for 1972, an increase of 798,591.

In May 1974, after a short-lived strike by Amalgamated employees, agreement was reached for increases in basic wage rates and cost-of-living adjustments wnich resulted in the bus operator's wage rate as follows:

	Basic Hourly Rate	Cost-of-Living Allowance	Total
December 30, 1972	$5.490	$0.045	$5.535
1973 Changes--			
Effective March 1	-	0.040	0.040
June 1	-	0.155	0.155
August 26	0.025	-	0.025
September 1	-	0.065	0.065
December 1	0.200	0.180	0.380
	0.225	0.440	0.665
December 29, 1973	$5.715	$0.485	$6.200

The Authority's pension contribution costs for the year increased 1.4% primarily as a result of higher employee earnings. Federal Insurance Contributions Act costs for the year 1973 increased 23.5% due to a higher taxable base ($10,800 from $9,000).

Employees insurance increased 16.4% due to increased benefits provided by wage agreements.

Materials and supplies decreased 20.4% because new equipment requires less maintenance.

Electric power purchased was down 9.3% due to elimination of trolley buses in March of 1973. Motor fuel costs were up 55.4% because of increase costs per gallon of fuel.

Provision for injuries and damages increased 4.9% due to the change, in December 1973, from providing a percentage of revenue to a percentage of operating expenses. Average cost per claim settled, excluding expenses, was $265 in 1973 compared with $268 in 1972. Suit costs, excluding expenses, averaged $3,000 in 1973 compared with $2,553 in 1972. The number of incidents totaled 13,385 compared with 13,639 in 1972.

Debt service requirements on revenue bonds for 1973 decreased $113,269. Requirements to sinking funds increased $656,830, Serial Bond Maturity Funds decreased $516,129. Interest payments decreased $253,970 as a result of retirement of bonds in 1973.

	Total Revenue Bonds Retired (Serial Maturities and Sinking Funds)	
Series	1973	Since Issue
1947	$6,400,000	$78,992,000
1952	1,862,000	9,082,000
1953	568,000	2,618,000
Total	$8,830,000	$90,692,000

debt service requirements

	Interest	Principal and Sinking Funds	Total
Revenue bonds	$1,941,769	$6,255,229	$8,196,998
Equipment trust certificates	225,851	1,349,165	1,575,016
Total	$2,167,620	$7,604,394	$9,772,014

balance sheets *as of December 29, 1973, and December 30, 1972*

exhibit I

		1973	1972
assets	TRANSPORTATION PROPERTY, at cost, including property and equipment owned by others and operated by the Authority (Exhibit VII and Note 4)	$531,246,917	$507,555,771
	Less—accumulated provision for depreciation (Note 4)	176,194,249	171,676,711
		$355,052,668	$335,879,060
	SPECIAL FUNDS (Exhibit IX):		
	Held by Revenue Bond Trustee—		
	Transit revenue--grant from the State of Illinois for debt service	$ —	$ 22,198
	Revenue bond reserve (Note 1)	7,032,635	7,643,800
	Depreciation reserve (Notes 1 and 2)	51,277	327,890
	Interest on revenue bonds	—	1,068,300
	Modernization fund (Note 1)	163,335	—
	Held by Equipment Trustee—		
	Interest on equipment trust certificates	—	20,077
	Damage reserve (Note 1)	1,646,163	2,762,136
	Grant from the State of Illinois available for debt service and other contractual obligations (Exhibit VI)	1,051,608	970,397
	Unapplied proceeds from sale of real estate (Note 1)	879,513	—
		$ 10,824,531	$ 12,814,798
	OTHER CURRENT ASSETS:		
	Working cash account (Exhibit IX)	$ 8,982,695	$ 3,477,286
	Accounts receivable, less reserve—		
	Due from the State of Illinois for student and senior citizen fare differential (Note 5)	7,061,801	—
	Due from the State of Illinois and U.S. Department of Transportation for capital improvement grants	1,758,587	—
	Other	2,249,737	3,879,311
	Materials and supplies, at average cost, less reserve	7,407,330	7,155,021
	Other	628,320	956,736
		$ 28,088,470	$ 15,468,354
		$393,965,669	$364,162,212
liabilities	LONG-TERM DEBT, after deducting amounts held by Trustees for payment of principal, including $8,033,901 debt service requirements due within one year (Exhibit II and Notes 1 and 2):		
	Revenue bonds	$ 39,753,232	$ 42,464,849
	Equipment trust certificates	4,770,000	6,119,165
		$ 44,523,232	$ 48,584,014
	CONTRIBUTED CAPITAL for property improvements and principal payments on debt service (Exhibit VII and Notes 3 and 4)	$318,075,620	$281,428,031
	ACCUMULATED DEFICIT (Exhibit III and Note 3)	$(19,072,841)	$ (5,775,464)
	GRANT FROM THE STATE OF ILLINOIS for other contractual obligations--unapplied	$ 962,380	$ 984,578
	ACCRUED INTEREST ON LONG-TERM DEBT, due within one year:		
	Revenue bonds	$ 894,947	$ 1,068,300
	Equipment trust certificates	17,924	20,077
		$ 912,871	$ 1,088,377
	OTHER CURRENT LIABILITIES:		
	Accounts payable	$ 23,270,871	$ 11,992,399
	Accrued wages and vacation pay	13,162,101	10,784,007
	Deferred revenue	—	598,912
	Unredeemed tokens	2,056,170	1,950,864
	Other contractual obligations—		
	Reimbursement of cost of transportation equipment	1,545,768	960,694
	Substation conversion costs	1,134,005	1,004,217
	Capital improvement project deposit liability	—	2,040,566
		$ 41,168,915	$ 29,331,659
	DAMAGE RESERVE (Note 1)	$ 7,395,492	$ 8,521,017
		$393,965,669	$364,162,212

The accompanying notes to financial statements are an integral part of these statements.

statements of long-term debt *as of December 29, 1973, and December 30, 1972*

exhibit II

	1973	1972
REVENUE BONDS (Note 1):		
Series of 1947, 3¾%, due 1978	$ 26,008,000	$ 32,408,000
Series of 1952, 4½%, due 1982	13,918,000	15,780,000
Series of 1953, 4½%, due 1982	4,382,000	4,950,000
	$ 44,308,000	$ 53,138,000
Less—Sinking funds held by Trustee for payment of principal (Exhibit IX and Note 1)	4,554,768	10,673,151
	$ 39,753,232	$ 42,464,849
EQUIPMENT TRUST CERTIFICATES (Note 2):		
Series 10, 3.25%, due 1973	$ —	$ 375,000
Series 11, 3.90%, due through 1976	4,770,000	5,865,000
	$ 4,770,000	$ 6,240,000
Less—Funds held by Trustee for payment of principal (Exhibit IX)	—	120,835
	$ 4,770,000	$ 6,119,165
	$ 44,523,232	$ 48,584,014

The 1974 requirements for sinking fund deposits on revenue bonds and principal payments on equipment trust certificates are $6,498,900 and $1,535,001, respectively. The required 1973 sinking fund deposits on revenue bonds were not made. The 1973 requirements for payment of principal on equipment trust certificates were met, a portion of which was provided by state and local grants (Note 2).

statements of accumulated earnings (deficit) *for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972*

exhibit III

ACCUMULATED EARNINGS (DEFICIT)--beginning of period	$ (5,775,646)	$ 31,191,106
NET LOSS before application of contributions and grants (Exhibit IV)	(49,095,652)	(45,906,090)
CONTRIBUTIONS AND GRANTS (Note 3)—		
Applied to current period (Exhibit IV)—		
Net loss from operations	35,606,803	6,000,000
Interest charges	191,472	2,470,429
Applied to periods prior to 1972—		
Net loss from operations	—	211,139
Interest charges	—	63,387
Reimbursement of cost of transportation equipment	—	194,565
ACCUMULATED DEFICIT--end of period	$(19,072,841)	$ (5,775,646)

notes to financial statements

(1) TRUST AGREEMENT SECURING REVENUE BONDS:

To finance the acquisition of predecessor companies and for extending or improving the transportation system, the Chicago Transit Authority ("Authority") issued revenue bonds which were secured by a Trust Agreement with The First National Bank of Chicago, as Trustee. In this Trust Agreement the Authority covenants that, among other things, it will operate and modernize the transportation system and fix rates and charges for transportation that shall, at all times, be sufficient in the aggregate to provide for the payment of all operating expenses, debt service requirements and the creation and maintenance of an adequate depreciation reserve fund.

If and whenever there shall be a failure on the part of the Authority to observe any covenant of the Trust Agreement, the Trustee may institute any appropriate legal, equitable or other proceeding for the purpose of specifically enforcing such covenant, provided, however, no such proceeding shall result in a lien on or a foreclosure of any physical property of the Authority.

The Trust Agreement also prescribes the order of precedence which shall be followed in applying the revenue of the Authority.

(A) Application of Revenue—

Revenue of each month, after deducting operating expenses, is, in the opinion of the Authority, to be deposited in the following funds, in the order shown, to the extent that moneys are available therefor:

1. Revenue bond interest funds, serial bond maturity fund, sinking funds and revenue bond reserve funds--deposits equal to debt service requirements as provided in the Trust Agreement.
2. Depreciation reserve fund--deposits equal to the monthly depreciation provision and deficiencies in prior years' deposits.
3. Revenue bond amortization fund--deposits, cumulative within the year, equal to $300,000 quarterly for the Series of 1947 and 1952 revenue bonds and $16,714 quarterly for the Series of 1953 revenue bonds.
4. Operating expense reserve fund--deposit to be not less than $900,000 each year, until the balance in the fund is equal to at least $4,000,000.
5. Municipal compensation fund--deposit to be computed in accordance with the franchise ordinance.
6. Modernization fund--deposits to be equal to the moneys remaining after making required deposits to the above funds.

In early 1973, by action which was subsequently upheld by the Circuit Court of Cook County, the Chicago Transit Board directed the Revenue Bond Trustee to transfer to the working cash account all deposits made to the transit revenue fund, immediately upon receipt, in order to pay currently, and make reasonable provision for, the costs and expenses of operation and maintenance of the transportation system. Under this procedure, transit revenue funds have not been available to pay

The accompanying notes to financial statements are an integral part of these statements.

statements of income and expense *for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972*

exhibit IV

	1973	1972
OPERATING REVENUE:		
Passenger transportation (Note 5)	$183,145,409	$184,613,646
Other	3,332,018	2,462,268
	$186,477,427	$187,075,914
OPERATING EXPENSE:		
Operations and maintenance (Note 6)—		
Scheduled transit operations	$117,266,817	$113,601,754
Maintenance and servicing	42,472,505	45,383,988
Other	8,423,910	7,973,078
Superintendence and general office applicable to—		
Scheduled transit operations	9,409,907	9,968,019
Maintenance and servicing	10,123,903	10,775,886
General and administrative	13,431,355	10,381,942
Electric power for revenue equipment	4,123,433	4,544,668
Fuel for revenue equipment	4,802,194	3,091,121
Operating rentals	937,838	828,876
Provision for injuries and damages	9,817,266	9,354,197
Provision for depreciation (Note 1)	14,916,873	14,966,714
	$235,726,001	$230,870,243
Net loss from operations	$(49,248,574)	$(43,794,329)
OTHER INCOME:		
Gain on retirement of revenue bonds (Note 1)	$ 1,668,526	$ —
Interest earned on investments held for—		
Sinking funds	471,585	279,247
Revenue bond reserve funds	72,100	59,244
Depreciation reserve fund	5,207	12,160
Modernization fund	3,060	—
Unapplied proceeds from sale of real estate (Note 1)	18,853	—
Grants from the State of Illinois--unapplied	81,211	8,017
	$ 2,320,542	$ 358,668
INTEREST CHARGES:		
Revenue bonds	$ 1,941,769	$ 2,195,739
Equipment trust certificates	225,851	274,690
	$ 2,167,620	$ 2,470,429
Net loss before application of contributions and grants	$(49,095,652)	$(45,906,090)
CONTRIBUTIONS AND GRANTS (Note 3):		
Applied to reduce net loss from operations	$ 35,606,803	$ 6,000,000
Applied to meet interest charges	191,472	2,470,429
	$ 35,798,275	$ 8,470,429
Net loss	$(13,297,377)	$(37,435,661)

revenue bond debt service costs or to meet any other Trust Agreement requirements subsequent thereto in priority.

(B) Rates and Charges for Transportation—

As mentioned above, the Authority covenants that it shall fix adequate rates and charges for transportation. This requirement for adequate rates is also called for by the Metropolitan Transit Authority Act and the Equipment Trust Agreement.

In October, 1972, the Chicago Transit Board authorized Senior Citizens to use the services of the Chicago Transit Authority during all operating hours upon payment of the Senior Citizen rate of fare (which is a reduced rate of fare). See Note 5 regarding reimbursement from the State of Illinois.

(C) Operation of the Sinking Funds—

During the past few years, a question of the proper legal interpretation of the Trust Agreement existed as to whether deposits for debt service requirements on revenue bonds should be made from the transit revenue fund or whether, instead, transfers should be made from the revenue bond reserve funds to provide for debt service requirements. In 1971, the Revenue Bond Trustee stopped purchasing bonds from funds on deposit in the sinking funds. In 1973, the Circuit Court of Cook County upheld the transfers that had been made from the transit revenue fund for debt service on the revenue bonds and directed the Revenue Bond Trustee to use the moneys accumulated in the sinking funds for the purchase and cancellation of bonds at the lowest prices reasonably obtainable. Pursuant to this action, the Revenue Bond Trustee, during 1973, purchased $8,830,000 principal amount of bonds at a cost of $7,161,000.

(D) Operation of the Revenue Bond Reserve Funds—

In prior years, the revenue bond reserve funds had been maintained at the levels required by the Trust Agreement. Amounts deposited in revenue bond reserve funds can be used only for (1) payment of interest on revenue bonds whenever, on any interest payment date, there would be insufficient moneys held by the Trustee in applicable interest and other funds, or (2) retirement of remaining bonds outstanding whenever the aggregate amount in the revenue bond reserve fund, revenue bond amortization fund and sinking fund for any series is equal to the amount of applicable series bonds then outstanding.

As previously mentioned in Note 1(A) to the financial statements, transit revenues have not been available to pay revenue bond debt service costs; consequently, during 1973, transfers

The accompanying notes to financial statements are an integral part of these statements.

statements of changes in financial position

for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972

exhibit V

	1973	1972
FUNDS PROVIDED (USED) BY OPERATIONS:		
Net loss before application of contributions and grants (Exhibit IV)	$(49,095,652)	$(45,906,090)
Contributions and grants applied to reduce net loss from operations and to meet interest charges	35,798,275	8,470,429
Net loss	$(13,297,377)	$(37,435,661)
Add back—provision for depreciation which did not require the current outlay of funds	14,916,873	14,966,714
Funds provided (used) by operations	$ 1,619,496	$(22,468,947)
ADD—FUNDS PROVIDED BY SOURCES OTHER THAN OPERATIONS:		
Grants for payment of principal on debt and substation conversion costs	$ 1,123,923	$ 10,052,026
Grants for payment of other contractual obligations	—	933,216
Grants and contributions for capital improvement projects	35,523,666	26,322,988
Net proceeds from the sale of property	1,020,935	1,293,945
Funds provided by sources other than operations	$ 37,668,524	$ 38,602,175
LESS—FUNDS USED OTHER THAN BY OPERATIONS:		
Principal payments—		
Revenue bonds	$ 8,830,000	$ 1,000,000
Equipment trust certificates	1,470,000	1,420,000
Additions to transportation property—		
Capital improvement projects	35,523,666	26,322,988
Other	191,930	331,753
Funds used other than by operations	$ 46,015,596	$ 29,074,741
Net change	$ (6,727,576)	$(12,941,513)
NET CHANGE CONSISTS OF THE FOLLOWING CHANGES IN BALANCE SHEET ACCOUNTS:		
Increase (decrease) in working cash	$ 5,505,409	$ (6,070,890)
Increase in amounts due from the State of Illinois for student and senior citizen fare differential	7,061,801	—
Increase in amounts due from the State of Illinois and U.S. Department of Transportation for capital improvement grants	1,758,587	—
Decrease in other accounts receivable	(1,629,574)	(4,106,901)
Increase (decrease) in funds held by Trustees for payment of principal on revenue bonds and equipment trust certificates	(6,239,218)	5,456,354
Increase in accounts payable	(11,278,472)	(4,670,238)
Increase in accrued wages and vacation pay	(2,378,094)	(720,808)
(Increase) decrease in capital improvement project deposit liability	2,040,566	(2,040,566)
Increase in other liabilities, net of changes in other assets	(1,568,581)	(788,464)
	$ (6,727,576)	$(12,941,513)

were made from the revenue bond reserve funds to meet the interest payments due on July 1, 1973, and January 1, 1974. The moneys on deposit in the reserve funds prior to the transfer made to meet the July 1, 1973, interest payment were in excess of the minimum amounts required under the Trust Agreement. The Authority was of the opinion that such excess amounts should have been transferred out of the reserve funds. The Revenue Bond Trustee did not make such a transfer at that time, and, on March 20, 1974, the Trustee filed a motion with the Circuit Court of Cook County which, among other things, requested the Court to determine whether such excess amounts on deposit in the Series of 1952 and 1953 revenue bond reserve funds should be transferred. On April 26, 1974, the Court ordered that the moneys on deposit in the Series of 1952 and 1953 revenue bond reserve funds were properly there and the Trustee had no obligation or duty to transfer any amount of these moneys to the Series of 1952 or 1953 sinking funds. Accordingly, the accompanying financial statements include no such transfer of these moneys.

(E) Depreciation—

The Trust Agreement requires the Authority to set aside monthly in the depreciation reserve fund an amount not less than 8% of revenue to provide for replacement of the transportation system, principal and interest on equipment trust certificates and, under certain circumstances, principal and interest on the revenue bonds. As set forth in the accompanying Statement of Funds, no amounts have been deposited in the depreciation reserve fund from revenues.

Charges made against the fund have reduced the balance in the fund as of December 29, 1973, to $51,277.

(F) Sale of Property—

The Authority has consistently followed the practice of not recognizing any gain on the sale of property if the property being sold was part of the transportation property acquired from predecessor companies. During 1972, the proceeds of the sales, net of related expenses, were transferred from the transit revenue fund to the modernization fund. These funds were then used to reimburse the working cash account for property costs which had not previously been charged to the depreciation reserve or modernization fund.

During 1973, the Authority deposited part of the proceeds from sales of property in the modernization fund and part of the pro-

The accompanying notes to financial statements are an integral part of this statement.

statements of application of contributions and grants for operating losses and debt service

exhibit VI

for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972

	1973	1972
AVAILABLE TO MEET debt service and other contractual obligations--unapplied from prior period	$ 984,578	$ 51,362
CONTRIBUTIONS AND GRANTS RECEIVED (Note 3):		
City of Chicago	$ 7,300,000	$ 3,000,000
County of Cook	17,000,000	3,000,000
State of Illinois	12,600,000	13,924,762
Total received	$36,900,000	$19,924,762
Total available	$37,884,578	$19,976,124
APPLIED TO MEET:		
Operating losses	$35,606,803	$ 6,000,000
Debt service requirements for current period—		
Revenue bond principal payments	16,423	6,114,528
Revenue bond interest payments	5,775	2,195,739
Equipment trust certificates principal payments	1,107,500	1,423,335
Equipment trust certificates interest payments	185,697	274,690
Debt service requirements for 1971 on revenue bonds and equipment trust certificates	—	1,945,412
Other contractual obligations for 1971 and prior	—	1,037,842
Total applied	$36,922,198	$18,991,546
GRANTS UNAPPLIED at the end of the period	$ 962,380	$ 984,578
UNAPPLIED GRANTS TRANSFERRED to the transit revenue fund at the end of the period in order to pay debt service requirements in the subsequent period	—	22,198
AVAILABLE TO MEET other contractual obligations	$ 962,380	$ 962,380
ACCUMULATED INTEREST INCOME earned on unexpended grants to be used for payment of debt service	89,228	8,017
TOTAL AVAILABLE FOR DEBT SERVICE and other contractual obligations	$ 1,051,608	$ 970,397

statement of contributed capital *for the fifty-two week period ended December 29, 1973*

exhibit VII

	Balance Beginning of Period	Additions During the Period (Notes 3 and 4)	Balance End of Period
CONTRIBUTIONS FOR PROPERTY IMPROVEMENTS:			
Federal	$124,830,377	$23,342,469	$148,172,846
City of Chicago	116,153,048	(55,370)	116,097,678
State of Illinois	16,260,108	11,603,232	27,863,340
County of Cook	2,548,335	600	2,548,935
Other	6,940,965	632,735	7,573,700
Total contributions for property improvements	$266,732,833	$35,523,666	$302,256,499
GRANTS:			
For payment of principal—			
Revenue bonds	$ 11,832,224	$ 16,423	$ 11,848,647
Equipment trust certificates	2,230,836	1,107,500	3,338,336
For payment of substation conversion costs	632,138	—	632,138
Total grants	$ 14,695,198	$ 1,123,923	$ 15,819,121
Total contributed capital	$281,428,031	$36,647,589	$318,075,620

The accompanying notes to financial statements are an integral part of these statements.

statements of application of revenue *(in accordance with the Revenue Bond Trust Agreement)*

exhibit VIII *for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972*

	1973 (Note 1)	1972 (Note 1)
OPERATING REVENUE	$186,477,427	$187,075,914
OPERATING EXPENSE, exclusive of the provision for depreciation (Exhibit IV)	220,809,128	215,903,529
Net loss from operations, exclusive of provision for depreciation	$(34,331,701)	$(28,827,615)
REVENUE BOND DEBT SERVICE REQUIREMENTS:		
Interest	$ (1,941,769)	$ (2,195,739)
Serial bond maturity fund	—	(516,129)
Sinking funds	(6,255,229)	(5,598,399)
	$ (8,196,998)	$ (8,310,267)
DEFICIENCY IN OPERATING REVENUE before depreciation	$(42,528,699)	$(37,137,882)
DEPRECIATION REQUIREMENT--current period	(14,916,873)	(14,966,714)
DEFICIENCY IN OPERATING REVENUE before application of contributions and grants	$(57,445,572)	$(52,104,596)
CONTRIBUTIONS AND GRANTS (Exhibit VI):		
Applied to reduce operating losses	$ 35,606,803	$ 6,000,000
Applied to meet revenue bond debt service requirements	22,198	8,310,267
	$ 35,629,001	$ 14,310,267
DEFICIENCY IN REVENUE after application of contributions and grants	$(21,816,571)	$(37,794,329)

ceeds in a segregated depository account not under the control of the Revenue Bond Trustee. At present, a question of legal interpretation exists as to the priorities which apply to any moneys deposited in the modernization fund. Included in the motion of March 20, 1974, to the Circuit Court of Cook County, is a request by the Revenue Bond Trustee to have the Court declare that all moneys received by the Authority from the liquidation, conversion or disposition of any property must be deposited with the Revenue Bond Trustee in the modernization fund and declare that the Revenue Bond Trustee has first priority to and a vested claim against all moneys in and hereafter deposited to the modernization fund whenever moneys in the transit revenue fund may be insufficient to make the required deposits to the interest funds, sinking funds and revenue bond reserve funds. The Authority is of the opinion that moneys in the modernization fund should be used for capital expenditures.

(G) Pension Plan—

The Authority has agreed to contribute a fixed percentage of payroll costs to a contributory retirement plan maintained for the benefit of all its employees. The Authority's pension provisions for the fifty-two week period ended December 29, 1973, and the fifty-three week period ended December 30, 1972, were $19,617,000 and $19,346,000, respectively, which included normal cost of $3,916,000 and $3,717,000 for those periods plus interest on and a reduction of unfunded prior-service liability. The Authority's policy is to fund pension cost accrued. If this level of contributions were to continue, it is estimated that the unfunded prior-service liability of $222,932,000, as of the last actuarial valuation date of January 1, 1973, would be amortized over approximately a 30-year period. The actuarially computed value of vested benefits of the plan as of the last actuarial valuation exceeded the total of the assets of the plan and accruals for pensions by approximately $97,000,000.

(H) Damage Reserve—

The Trust Agreement provides that the Authority shall set aside monthly in a damage reserve fund for the defense of all claims and the payment of all judgments for injuries and damages such amounts as are deemed sufficient by the Chicago Transit Board. During the fifty-three week period ended December 30, 1972, and through November 30, 1973, this amount was provided at a rate of 5% of gross revenues. Because of declining revenues, an ordinance was passed, effective December 1, 1973, by Chicago Transit Board increasing the monthly transfer to an amount equal to 6% of total operating expenses. As of December 29, 1973, it is estimated that approximately 4,100 claims and suits for injuries and damages remain to be settled. The balance in the damage reserve fund is $1,646,163.

While determining the cost of unsettled claims and suits as of December 29, 1973, is at best difficult, if such an estimate is based on the experience of the previous five years, the estimated cost of future settlements will approximate $9,600,000. If such an estimate is based upon 1973 experience, the estimated cost of future settlements will approximate $13,300,000. The amounts to pay future settlements in excess of the balance in the fund would have to be provided from future revenue or other sources.

(2) EQUIPMENT TRUST AGREEMENT:

In May, 1973, the Authority paid the rental payments which were then due under the Trust Agreement securing Equipment Trust Series 10 and 11, with a portion of the grants received in 1973 from the state and local governments (see Note 3). Subsequently, the Equipment Trustee, Harris Trust and Savings Bank, notified the Authority that the rental payments due March 1, 1973, as well as the rental payments due April 1, 1973, and May 1, 1973, were received and, therefore, the conditions of default created by the nonpayment of rent for March, April and May, 1973, no longer existed. By virtue of these rental payments, there were sufficient funds available to completely retire the Series 10 Trust Certificates on June 1, 1973.

Subsequent rental payments have also been made with a portion of the grants received in 1973 from the state and local governments. These payments, although not made on a monthly basis

The accompanying notes to financial statements are an integral part of these statements.

statement of funds *for the fifty-two week period ended December 29, 1973*

exhibit IX

		Funds Held by Revenue Bond Trustee		
	Transit Revenue	Interest Funds	Sinking Funds (Note 1)	Revenue Bond Reserve Funds (Note 1)
BALANCE OF CASH AND U.S. GOVERNMENT SECURITIES, at cost, at beginning of period	$ 2,472,258	$ 1,074,075	$10,689,574	$ 7,643,800
ADD—receipts:				
Fare box receipts	$ 154,197,856	$ —	$ —	$ —
Sale of tokens	17,426,222	—	—	—
State reimbursement for student fare reductions through June 30, 1973 (Note 5)	173,900	—	—	—
Federal and state capital improvement project grants	6,604,070	—	—	—
Contributions and grants for debt service and operating losses	—	—	—	—
Sale of property (Note 1)	3,275	—	—	—
Income on investments	—	3,554	471,585	439,175
Other receipts	8,206,544	—	—	—
Total receipts	$ 186,611,867	$ 3,554	$ 471,585	$ 439,175
ADD (Deduct)—interfund transfers:				
Related to debt service requirements—				
From state and local grants	$ —	$ —	$ —	$ —
From transit revenue	(694,106)	179,013	515,093	—
From depreciation reserve	—	—	—	—
From working cash	—	—	—	—
From revenue bond reserve funds	—	858,481	—	(858,481)
Related to prior-year sale of property—				
Net proceeds to working cash account	(1,293,945)	—	—	—
Net proceeds to modernization fund	—	—	—	—
Reimbursement for capital expenditures made from working cash account	—	—	—	—
For injuries and damages	—	—	—	—
Held by Equipment Trustee for additional security	—	—	—	—
Additional security released by Equipment Trustee	27,968	—	—	—
Contributions and grants for debt service and operating losses	1,166,553	—	—	—
Transfer of income on investments	200,061	—	39,990	(191,859)
For reimbursement of current expenditures	(187,569,376)	—	—	—
Net transfers	$(188,162,845)	$ 1,037,494	$ 555,083	$(1,050,340)
Total available before disbursements	$ 921,280	$ 2,115,123	$11,716,242	$ 7,032,635
DEDUCT—disbursements:				
For debt service on revenue bonds	$ —	$(2,115,123)	$ —	$ —
For retirement of revenue bonds	—	—	(7,161,474)	—
For debt service on equipment trust certificates	—	—	—	—
For current expenditures	—	—	—	—
Total disbursements	$ —	$(2,115,123)	$(7,161,474)	$ —
BALANCE AT THE END OF PERIOD	$ 921,280	$ —	$ 4,554,768	$ 7,032,635
CONSISTS OF:				
Cash	$ 921,280	$ —	$ 53,441	$ 202,553
Certificates of deposit and U.S. Government securities, at cost	—	—	4,501,327	6,830,082
	$ 921,280	$ —	$ 4,554,768	$ 7,032,635
ADD (Deduct)—interfund transfers to be made after end of period:				
For injuries and damages	$ —	$ —	$ —	$ —
From equipment trust accounts representing income on investments, net of expenditures	—	—	—	—
Reimbursement for expenditures	(921,280)	—	—	—
Net transfers to be made	$ (921,280)	$ —	$ —	$ —
BALANCE AT END OF PERIOD, after transfers	$ —	$ —	$ 4,554,768	$ 7,032,635
CLASSIFIED IN THE ACCOMPANYING BALANCE SHEET AS:				
Special funds	$ —	$ —	$ —	$ 7,032,635
Other current assets	—	—	—	—
Reduction of long-term debt	—	—	4,554,768	—
	$ —	$ —	$ 4,554,768	$ 7,032,635

		Funds Held by Equipment Trustee			Other Funds			
Depreciation Reserve	Modernization (Note 1)	For Payment of Interest	For Payment of Principal	Additional Security Account (Note 2)	State and Local Contributions and Grants (Exhibit VI)	Unapplied Proceeds From Sale of Real Estate (Note 1)	Damage Reserve	Working Cash Account
$ 327,890	$ —	$ 20,077	$ 120,835	$ 72,797	$ 2,132,941	$ —	$ 1,475,153	$ 1,129,467
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	2,940,000
—	—	—	—	—	—	—	—	24,382,000
—	—	—	—	—	36,900,000	—	—	—
—	160,275	—	—	—	—	860,660	—	—
5,207	3,060	1,979	21,689	—	81,211	18,853	57,744	1,078,492
—	—	—	—	—	—	—	—	—
$ 5,207	$ 163,335	$ 1,979	$ 21,689	$ —	$ 36,981,211	$879,513	$ 57,744	$ 28,400,492
$ —	$ —	$ 78,154	$ 486,666	$ —	$ (564,820)	$ —	$ —	$ —
—	—	—	—	—	—	—	—	—
(281,820)	—	40,154	241,666	—	—	—	—	—
—	—	89,619	620,833	—	—	—	—	(710,452)
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	1,293,945
—	1,293,945	—	—	—	—	—	—	(1,293,945)
—	(1,293,945)	—	—	—	—	—	—	1,293,945
—	—	—	—	—	—	—	9,260,337	(9,260,337)
—	—	(1,979)	(21,689)	23,668	—	—	—	—
—	—	—	—	(27,968)	—	—	—	—
—	—	—	—	—	(37,497,724)	—	—	36,331,171
—	—	—	—	—	—	—	(48,192)	—
—	—	—	—	—	—	—	—	187,569,376
$(281,820)	$ —	$ 205,948	$ 1,327,476	$ (4,300)	$(38,062,544)	$ —	$ 9,212,145	$ 215,223,703
$ 51,277	$ 163,335	$ 228,004	$ 1,470,000	$ 68,497	$ 1,051,608	$879,513	$ 10,745,042	$ 244,753,662
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—	—
—	—	(228,004)	(1,470,000)	—	—	—	—	—
—	—	—	—	(14,953)	—	—	(10,419,535)	(235,371,591)
$ —	$ —	$(228,004)	$(1,470,000)	$(14,953)	$ —	$ —	$(10,419,535)	$(235,371,591)
$ 51,277	$ 163,335	$ —	$ —	$ 53,544	$ 1,051,608	$879,513	$ 325,507	$ 9,382,071
$ 3,027	$ 4,486	$ —	$ —	$ 53,544	$ —	$ —	$ (194,493)	$ (6,337,128)
48,250	158,849	—	—	—	1,051,608	879,513	520,000	15,719,199
$ 51,277	$ 163,335	$ —	$ —	$ 53,544	$ 1,051,608	$879,513	$ 325,507	$ 9,382,071
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,855,699	$ (1,855,699)
—	—	—	—	(53,544)	—	—	—	—
—	—	—	—	—	—	—	(535,043)	1,456,323
$ —	$ —	$ —	$ —	$(53,544)	$ —	$ —	$ 1,320,656	$ (399,376)
$ 51,277	$ 163,335	$ —	$ —	$ —	$ 1,051,608	$879,513	$ 1,646,163	$ 8,982,695
$ 51,277	$ 163,335	$ —	$ —	$ —	$ 1,051,608	$879,513	$ 1,646,163	$ —
—	—	—	—	—	—	—	—	8,982,695
—	—	—	—	—	—	—	—	—
$ 51,277	$ 163,335	$ —	$ —	$ —	$ 1,051,608	$879,513	$ 1,646,163	$ 8,982,695

The accompanying notes to financial statements are an integral part of this statement.

as required by the Equipment Trust Agreement, have in the aggregate been made for all amounts due through November 1, 1973.

Under the Equipment Trust Agreement, the Authority covenants that it will maintain a minimum balance ($2,268,000 at December 29, 1973) in the depreciation reserve fund as long as any equipment trust certificates remain outstanding. At December 29, 1973, the balance of the depreciation reserve fund was $51,277.

In the event the Authority fails to comply with the terms and covenants of the Equipment Trust Agreement, the Equipment Trustee (subject to certain requirements which pertain to length of time a deficiency exists, proper notice, etc.) may declare the unpaid principal amount of the equipment trust certificates to be due and payable and may repossess all or part of the 570 motor buses and 313 elevated subway cars pledged as collateral.

The Equipment Trustee has been retaining the interest earned on funds left on deposit with the Trustee as additional security for the equipment trust certificates. The Authority has recorded the interest earned as income and as a receivable from the Trustee.

(3) CONTRIBUTIONS AND GRANTS FOR OPERATING LOSSES AND DEBT SERVICE:

During 1973, the Authority received an Emergency Transportation Operation Grant in the amount of $12,600,000 from the State of Illinois. Also, during the year, the City of Chicago and County of Cook contributed grants totaling $24,300,000, of which $6,300,000 represented matching grants as required by the legislation providing for the state grant and $12,000,000 which was provided by the County of Cook pursuant to an agreement between the County of Cook and the State of Illinois Department of Transportation. The remaining $6,000,000 was provided as outright grants from the City of Chicago and County of Cook.

The state and local grants are to be used for operating expenses, including principal and interest payments applicable to equipment trust certificates but shall not be used for debt service on revenue bonds. Also, such grants shall not be subject to the terms of the Chicago Transit Authority Revenue Bond Trust Agreement dated July 1, 1947, as amended.

In 1972, the Authority received grants from the State of Illinois for the payment of principal of, and interest on, bonds, certificates, equipment trust certificates or other evidence of indebtedness and contributions from the City of Chicago and County of Cook to meet the net loss from operations.

The portion of the contributions and grants applied to meet principal payments on the revenue bonds and equipment trust certificates and substation conversion costs is included as part of contributed capital in the accompanying balance sheets. The remaining portion of the contributions and grants applied to meet operating losses, interest payments on revenue bonds and equipment trust certificates, and payments to the City of Chicago for reimbursement of cost of transportation equipment is included as a reduction of the accumulated deficit.

In February, 1974, the Authority entered into an Interim Transportation Funding Program Agreement with the State of Illinois Department of Transportation to provide adequate interim funding through June 30, 1974. Under this agreement, the Department of Transportation agrees to pay the Authority financial assistance in an amount not to exceed $29,700,000 and not to exceed the operating deficit (as defined) of the Authority for the payment period for which such advance is made. Also, such financial assistance shall not be subject to the terms of the Chicago Transit Authority Revenue Bond Trust Agreement and shall not be used to pay principal or interest on revenue bonds.

Under the terms of the Agreement, if the financial assistance provided exceeds the Authority's operating deficit, as defined, the Authority shall repay to the State the amount by which the financial assistance exceeds the operating deficit. The Regional Transportation Authority (Note 7) shall be obligated to repay to the State all financial assistance advanced pursuant to this Agreement. Through March 20, 1974, the Authority received $15,847,000 pursuant to this Agreement.

(4) CONTRIBUTED PROPERTY:

The Authority has been granted by the City Council of the City of Chicago the exclusive right to operate a transportation system for the transportation of passengers within the City of Chicago. Included in the transportation system operated by the Authority are certain facilities owned by others. The Authority has the exclusive right to operate these facilities under the terms of the authorizing legislation and various long-term lease and other agreements.

In 1972, the Authority changed its accounting policies to reflect in its accounts, as contributed property, facilities which it has the exclusive right to operate. The additional property recorded is stated at estimated original cost of approximately $229,000,000 as of December 29, 1973. No provision has been made to reflect the effect, if any, of depreciation which might have occurred since the property was initially placed in service. The estimated original cost reflected in the accounts of the Authority has been obtained from various sources, including reports of the City of Chicago, project status reports prepared by various agencies, contracts, bills of sale and, in other instances, from original invoices. This documentation is not complete and, in order to determine that the property is stated at actual original cost, a detailed study must be made by the Authority of all the available supporting documentation. Such a study has not yet been initiated by the Authority.

The provision for depreciation as reflected in the accompanying financial statements is equal to 8% of revenues. As pointed out in Note 1, 8% of revenues is the minimum provision required by the Trust Agreement. No consideration has been given to the possible effect that depreciating the contributed property would have on the accumulated provision for depreciation. The Authority is presently studying the various methods which might be adopted regarding depreciating all of the property operated by the Authority.

As indicated in the accompanying Statement of Contributed Capital (Exhibit VII), a substantial portion of the property previously not recorded was financed by the City of Chicago. The Chicago Transit Authority Ordinance (the franchise ordinance) provides that no disbursements, with certain exceptions, made by the City from the City Traction Fund or from the City Transit Fund shall be included in the property account of the Authority. In the opinion of management, recording of this property is desirable to reflect the scope of the Authority's operations and, by specifically designating the accounts in which this property is recorded as being contributed property operated but not owned by the Authority, they have complied with the Chicago Transit Authority Ordinance.

The property recorded includes the State Street and Dearborn Street subways, Congress, Dan Ryan and Kennedy Expressway Rapid Transit facilities and other property including the amounts expended under the present Federally and State-funded capital improvement projects.

The Authority has entered into a capital grant contract with the Department of Transportation, Urban Mass Transportation Administration (DOT-UMTA) and with the State of Illinois under the Transportation Bond Act. DOT-UMTA will finance two thirds or approximately $93,580,000 with the State of Illinois

financing one third or approximately $46,790,000. Through December 29, 1973, $60,950,000 of the total grant amount has been expended by the Authority and substantial commitments have been entered into for the remainder.

Certain provisions of the agreements giving the Authority the right to use or operate these facilities provide that proceeds from the sale of the financed property must be returned to the grantors. However, in certain instances, the sale proceeds can be used to replace the property sold.

(5) STUDENT AND SENIOR CITIZEN FARE REIMBURSEMENT:

Prior to July 1, 1973, the Authority had been receiving moneys from the State of Illinois Office of Mass Transportation as reimbursement under the Student Fare Reimbursement Program. Subsequent to July 1, 1973, the Authority recorded a receivable from the State of Illinois as reimbursement, for the period July 1, 1973, to December 29, 1973, for student and senior citizen reduced fares under a similar reimbursement program. This receivable of $7,061,801 is subject to the State of Illinois General Assembly providing the necessary enabling legislation for the two programs.

(6) EMPLOYEE BENEFITS DISTRIBUTION:

Employee benefits are distributed to functional expense classifications throughout the year at estimated rates. The increased costs of such benefits were not fully provided through the application of such rates in 1971 and, therefore, the 1972 rates were increased to distribute that portion not previously provided for to operating expenses in 1972. If such costs had been fully provided for when incurred, operating expenses for 1971 would have been increased approximately $2,500,000 and, correspondingly, operating expenses for 1972 would have been reduced by the same amount.

(7) REGIONAL TRANSPORTATION AUTHORITY:

On March 19, 1974, the voters in the six counties in the northeastern area of Illinois approved the creation of a Regional Transportation Authority.

The purpose of the Regional Transportation Authority, as set forth in its enabling legislation, is to provide for, aid and assist public transportation in the northeastern area of the state without impairing the overall quality of existing public transportation by providing for the creation of a single Authority responsive to the people and elected officials of the area with the power and competence to provide and facilitate public transportation which is attractive and economical to users, comprehensive, coordinated among its various elements, economical, safe, efficient and coordinated with area and state plans.

In order to accomplish its purposes, the Regional Transportation Authority shall determine the level, nature and kind of public transportation which should be provided for the metropolitan region. It may provide public transportation by securing such service from transportation agencies through purchase of service agreements, by grants to such agencies or by operating such service itself. The Regional Transportation Authority may also impose certain taxes throughout the metropolitan region, may borrow money and may issue negotiable bonds or notes.

As of March 20, 1974, it has not been determined what effect the creation of the Regional Transportation Authority will have on the Chicago Transit Authority.

To Chicago Transit Board of Chicago Transit Authority:

We have examined the balance sheets and statements of long-term debt of CHICAGO TRANSIT AUTHORITY ("Authority") (an Illinois municipal corporation) as of December 29, 1973, and December 30, 1972, and the related statements of accumulated earnings (deficit), income and expense, changes in financial position, application of contributions and grants for operating losses and debt service and application of revenue for the fifty-two and fifty-three week periods, respectively, then ended. We have also examined the statements of contributed capital and funds for the fifty-two week period ended December 29, 1973. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except as explained in the following paragraph regarding property and equipment owned by others.

As explained in Note 4 to the financial statements, the Authority, in 1972, changed its accounting policies to reflect in its accounts, as contributed property, facilities which it has the exclusive right to operate. The additional property recorded is stated at its estimated original cost and no provision has been made to reflect the effect, if any, of depreciation which might have occurred since the property was initially placed in service. The estimated original cost reflected in the accounts of the Authority has been obtained from various sources outside the Authority, principally from records maintained by the City of Chicago. In order to determine that the property is stated at actual original cost, a detailed study must be made by the Authority of all the available supporting documentation; such a study has not yet been initiated by the Authority. Accordingly, until such study is made, we are unable to determine what adjustments, if any, must be made to the recorded estimated costs of these properties in order to have them reflected at their actual original cost. In addition, as further noted in Note 4 to the financial statements, there is a question as to whether the Authority can include that portion of such property in its property account that was financed by the City of Chicago from the City Transit Fund and the City Traction Fund.

As indicated in the accompanying financial statements and in the notes thereto, the Authority has significant financial problems. The recovery of the cost of its transportation property, materials and supplies, other assets and its ability to meet its obligations and to comply with the terms of the revenue bond and equipment trust agreements depend upon adequate revenues or funds from other sources. Revenues were not adequate for the fifty-two week period ended December 29, 1973, and the fifthy-three week period ended December 30, 1972; however, the Authority did receive contributions and grants from state and local governments for operating losses, debt service and capital improvements.

The accompanying financial statements, reflect, in the opinion of the Authority, the proper interpretations of the revenue bond trust agreement and the equipment trust agreement. As discussed in Notes 1 and 2 to the financial statements, interpretations of provisions of such agreements have been, and continue to be, the subject of controversy.

Because of the significance of the matters referred to in the preceding paragraphs, we are unable to express an opinion on the accompanying financial statements taken as a whole. In our opinion, however, the balances of cash, certificates of deposit and U.S. Government securities, as of December 29, 1973, and December 30, 1972, reflected in the statement of funds represent the amounts of cash, certificates of deposit and U.S. Government securities held in the various funds and the amounts set forth on Exhibit II for revenue bonds and equipment trust certificates represent the amounts of such debt outstanding as of December 29, 2973, and December 30, 1972. Also, in our opinion, the amounts shown in the accompanying balance sheets for accounts receivable (subject to the receipt from the State of Illinois for student and senior citizen fare differential described in Note 5), grant from the State of Illinois for other contractual obligations--unapplied, accrued interest on long-term debt, the amounts listed under other current liabilities and the amounts listed under other current liabilities and the amounts shown in the accompanying statements of income and expense for operating revenue (subject to the receipt from the State of Illinois for student and senior citizen fare differential described in Note 5), operating expense (except for the provision for depreciation and the matter described in Note 6 as it applies to 1972), other income, interest charges and contributions and grants for net loss from operations and debt service are presented fairly, in conformity with generally accepted accounting principles and/or as specifically provided in the revenue bond trust agreement consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 20, 1974 (except with respect to the matter discussed in Note 1(D) as to which the date is April 26, 1974).

revenue equipment

	On Hand Dec. 30, 1972	Dec. 31, 1972, to Dec. 29, 1973 Acquired	Retired	On Hand Dec. 25, 1971
BUSES:				
Propane (1950-59)	1,007	—	461	546
Diesel (1950-60)	18	—	12	6
Trolley (1951-52)	248	—	104	144
Diesel (1961-69)	1,215	—	—	1,215
Propane	150	—	—	150
Diesel—Air-Conditioned (1965)	10	—	—	10
Diesel—Air-Conditioned (1972)	524	1	—	525
Diesel—Air-Conditioned (1973)	—	355	—	355
Total Buses	3,172	356	577	2,951
RAPID TRANSIT CARS:				
Steel—Conventional Type (1922-25)	94	—	3	91
Metal—Articulated P.C.C. (1947-48)	4	—	—	4
Metal—P.C.C. (1950-60)	768	—	2	766
Metal—Air-Conditioned (1964)	180	—	—	180
Metal—Air-Conditioned (1969-70)	150	—	—	150
Total Rapid Transit Cars	1,196	—	5	1,191
Total Passenger Equipment	4,368	356	582	4,142

1 Purchased by Joint City of Chicago-U.S. Department of Transportation Funds for operation on the Dan Ryan and Kennedy Extensions.

mileage owned, leased, and operated *as of December 29, 1973*

	Surface System	Rapid Transit System	Combined
TRACK:			
Owned	1.86	164.80	166.66
Leased—			
State Street Subway	—	9.50	
Dearborn Street Subway	—	8.80	
Eisenhower Expressway (Halsted to Laramie)	—	12.83	
Lake Route (Laramie to Harlem)	—	7.15	
	—	38.28	38.28
Contributed (City and Federal)—			
Englewood Route (Loomis to Ashland)	—	1.33	
Dan Ryan Expressway (17th to 95th)	—	21.76	
Kennedy Expressway (Gale to Cornelia) and Kimball-Milwaukee Subway	—	11.33	
	—	34.42	34.42
Total	1.86	237.50	239.36
REVENUE:			
Track	—	191.60	191.60
Motor Bus Routes	1,985.00	—	1,985.00
	1,985.00	191.60	2,176.60
NON-REVENUE:			
Track	1.86	45.90	47.76
Trolley Bus Wire	20.41	—	20.41
	22.27	45.90	68.17
Total	2,007.27	237.50	2,244.77
NUMBER OF RAPID TRANSIT STATIONS			149

1 Freight track at South Shops plant and railroad connection to 84th and Wentworth.

2 Includes main line storage track, crossovers, track in yards and shops, and 1.70 miles of freight gauntlet and yard track on North-South and Evanston routes.

statement of transportation property and organization expense

showing balance at December 30, 1972, plus additions and less retirements during 1973 and balance at December 29, 1973

	Balance Dec. 30, 1972	Gross Additions	Retirements	Balance Dec. 29, 1973
Land	$ 14,185,281	$ 4,755	$ 114,446	$ 14,075,590
Track and Paving	13,649,445	(46,033)	93,069	13,510,343
Machinery and Tools	7,144,655	112,046	63,146	7,193,555
Electric Line Equipment	8,421,523	576	27,922	8,394,177
Buildings	36,648,254	(94,737)	141,654	36,411,863
Cars	62,198,015	—	115,997	62,082,018
Buses, Fare Boxes, etc.	63,336,284	11,834	10,804,089	52,544,029
Work Cars, Autos and Service Equipment	2,379,531	(2,197)	22,107	2,355,227
Furniture	1,886,188	9,656	25,855	1,869,989
Signals and Interlocking	2,823,917	1,930	33,967	2,791,880
Crossings, Fences and Signs	1,430,641	—	4,593	1,426,048
Elevated Structures	9,609,132	69,200	5,117	9,673,215
Substation Equipment	7,703,707	125,865	199,201	7,630,371
Telephone and Communications	1,050,098	(965)	11,735	1,037,398
Engineering	46,623	—	—	46,623
General and Miscellaneous	8,156,011	—	152,310	8,003,701
Total Transportation Property	$240,669,305	$ 191,930	$11,815,208	$229,046,027
Organization Expense	85,316	—	—	85,316
	$240,754,621	$ 191,930	$11,815,208	$229,131,343
Donated Transportation Property	266,801,150	35,494,199	179,775	302,115,574
Totals	$507,555,771	$35,686,129	$11,994,983	$531,246,917

( ) Denotes Red Figures

operating statistics *for fiscal year ended December 29, 1973*

	Surface System	Rapid Transit System	Combined
REVENUES	$139,230,209	$47,247,218	$186,477,427
REVENUE VEHICLE MILES—			
Cars—Rapid Transit	—	48,726,796	48,726,796
Trolley Buses	962,267	—	962,267
Motor Buses	89,739,537	—	89,739,537
Total Revenue Vehicle Miles	90,701,804	48,726,796	139,428,600
REVENUE PER VEHICLE MILE	$1.54	$ .97	$1.34
EARNING REVENUE VEHICLE HOURS—			
Cars—Rapid Transit	—	(1)	—
Motor Buses	10,211,009	—	10,211,009
Total Earning Revenue Vehicle Hours	10,211,009	—	10,211,009
POWER STATISTICS:			
Direct Current Kilowatt Hours	3,819,479	224,939,428	228,758,907
Average Cost Per Kilowatt Hour	—	—	2.3312¢
MOTOR BUS FUEL STATISTICS:			
Diesel Fuel—Gallons	19,000,000		
Average Miles Per Gallon	3.59		
Average Cost Per Mile	5.5¢		
Propane Fuel—Gallons	10,906,000		
Average Miles Per Gallon	1.97		
Average Cost Per Mile	5.0¢		

(1) Not Available

Chicago Transit Authority
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